

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Gladwin	<b>County</b> Gladwin
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> April 24, 2006	<b>Date Accountant Report Submitted to State:</b> April 24, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
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<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 24, 2006

To the Township Board  
Township of Gladwin  
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Gladwin, Gladwin County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Gladwin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Gladwin, Gladwin County, Michigan, as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Gladwin covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$179,373.36 from governmental activities with a \$6,257.16 decrease in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Fire Fund.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. these funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Fire Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are roads at \$39,284.90 and sanitation at \$43,896.46.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at (989)426-9857.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	297 89
Investments	86 606 11
Taxes receivable	<u>12 740 69</u>
Total Current Assets	<u>99 644 69</u>
NONCURRENT ASSETS:	
Capital Assets	66 565 00
Less: Accumulated Depreciation	<u>(50 465 00)</u>
Total Noncurrent Assets	<u>16 100 00</u>
TOTAL ASSETS	<u><u>115 744 69</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	16 100 00
Unrestricted	<u>99 644 69</u>
Total Net Assets	<u>115 744 69</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>115 744 69</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and changes in net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	9 107 26	-	(9 107 26)
General government	67 035 15	11 534 76	(55 500 39)
Public safety	23 548 00	-	(23 548 00)
Public works	83 181 36	46 233 00	(36 948 36)
Other	4 555 00	-	(4 555 00)
Total Governmental Activities	<u>187 426 77</u>	<u>57 767 76</u>	<u>(129 659 01)</u>
General Revenues:			
Property taxes			43 579 88
State revenue sharing			74 543 54
Interest			1 413 10
Miscellaneous			<u>2 069 08</u>
Total General Revenues			<u>121 605 60</u>
Change in net assets			(8 053 41)
Net assets, beginning of year			<u>123 798 10</u>
Net Assets, End of Year			<u>115 744 69</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>			
Investments	86 606 11	-	86 606 11
Taxes receivable	12 740 69	-	12 740 69
Due from other funds	297 89	-	297 89
Total Assets	<u>99 644 69</u>	<u>-</u>	<u>99 644 69</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	99 644 69	-	99 644 69
Total fund equity	99 644 69	-	99 644 69
Total Liabilities and Fund Equity	<u>99 644 69</u>	<u>-</u>	<u>99 644 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	99 644 69
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	66 565 00
Accumulated depreciation	<u>(50 465 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>115 744 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>Garbage</u>	<u>Total</u>
Revenues:			
Property taxes	20 031 88	23 548 00	43 579 88
State revenue sharing	74 543 54	-	74 543 54
Charges for services	11 534 76	-	11 534 76
Interest	1 413 10	-	1 413 10
Special assessments	46 233 00	-	46 233 00
Miscellaneous	2 069 08	-	2 069 08
Total revenues	<u>155 825 36</u>	<u>23 548 00</u>	<u>179 373 36</u>
Expenditures:			
Legislative:			
Township Board	9 107 26	-	9 107 26
General government:			
Supervisor	7 100 43	-	7 100 43
Elections	821 30	-	72 36
Assessor	6 808 50	-	6 808 50
Clerk	15 624 57	-	15 624 57
Board of Review	968 50	-	968 50
Treasurer	10 004 65	-	10 004 65
Building and grounds	4 807 20	-	4 807 20
Cemetery	19 103 75	-	19 103 75
Public safety:			
Fire protection	-	23 548 00	23 548 00
Public works:			
Highways and streets	39 284 90	-	39 284 90
Sanitation	43 896 46	-	43 896 46
Other:			
Insurance	4 555 00	-	4 555 00
Total expenditures	<u>162 082 52</u>	<u>23 548 00</u>	<u>184 881 58</u>
Excess of revenues over expenditures	(6 257 16)	-	(6 257 16)
Fund balance, April 1	<u>105 901 85</u>	<u>-</u>	<u>105 901 85</u>
Fund Balance, March 31	<u><u>99 644 69</u></u>	<u><u>-</u></u>	<u><u>99 644 69</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (6 257 16)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(1 796 25)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(8 053 41)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Gladwin, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Gladwin. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was 1.8099 mills, and the taxable value was \$24,739,150.00.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$100.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40 years
Furniture and equipment	4–12 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$16,100.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>297 89</u>



TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	297 89
Uninsured and Uncollateralized	-
Total Deposits	<u>297 89</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				86 606 11
Total Investments				<u>86 606 11</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>297 89</u>	Current Tax Collection	<u>297 89</u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 5— Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Land	1 850 00	-	-	1 850 00
Buildings	51 795 00	-	-	51 795 00
Equipment	<u>12 920 00</u>	<u>-</u>	<u>-</u>	<u>12 920 00</u>
Total	66 565 00	-	-	66 565 00
Accumulated Depreciation	<u>(48 668 75)</u>	<u>(1 796 25)</u>	<u>-</u>	<u>(50 465 00)</u>
Net Capital Assets	<u><u>17 896 25</u></u>	<u><u>(1 796 25)</u></u>	<u><u>-</u></u>	<u><u>16 100 00</u></u>

Note 6 Pension Plan

The Township does not have a pension plan.

Note 7— Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8— Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9— Building Permits

The Township of Gladwin does not issue building permits. Building permits are issued by the County of Gladwin.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	21 271 43	20 032 28	20 031 88	(40)
State revenue sharing	77 242 49	77 242 49	74 543 54	(2 698 95)
Charges for services	9 730 00	9 730 00	11 543 76	1 804 76
Interest	1 100 00	1 100 00	1 413 10	313 10
Special assessments	46 000 00	46 000 00	46 233 00	233 00
Miscellaneous	1 890 00	1 890 00	2 069 08	179 08
Total revenues	<u>157 233 92</u>	<u>155 994 77</u>	<u>155 834 36</u>	<u>(169 41)</u>
Expenditures:				
Legislative:				
Township Board	8 470 00	10 219 92	9 107 26	(1 112 66)
General government:				
Supervisor	7 500 00	7 500 00	7 100 43	(399 57)
Elections	1 400 00	1 400 00	821 30	(578 70)
Assessor	6 588 00	6 874 75	6 808 50	(66 25)
Clerk	15 700 00	15 700 00	15 624 57	(75 43)
Board of Review	1 045 00	1 055 00	968 50	(86 50)
Treasurer	10 200 00	10 200 00	10 004 65	(195 35)
Building and grounds	2 630 00	5 291 50	4 807 20	(484 30)
Cemetery	17 647 00	20 923 00	19 103 75	(1 819 25)
Public works:				
Highways and streets	44 146 49	44 146 49	39 284 90	(4 861 59)
Sanitation	44 000 00	44 000 00	43 896 46	(103 54)
Other:				
Insurance	4 622 00	4 622 00	4 555 00	(67 00)
Capital outlay	-	-	-	-
Total expenditures	<u>163 948 49</u>	<u>171 932 66</u>	<u>162 082 52</u>	<u>(9 850 14)</u>
Excess (deficiency) of revenues over expenditures	(6 714 57)	(15 937 89)	(6 257 16)	9 680 73
Fund balance, April 1	<u>94 429 96</u>	<u>94 429 96</u>	<u>105 901 85</u>	<u>11 471 89</u>
Fund Balance, March 31	<u>87 715 39</u>	<u>78 492 07</u>	<u>99 644 69</u>	<u>21 152 62</u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	<u>23 500 00</u>	<u>24 739 15</u>	<u>23 548 00</u>	<u>(1 191 15)</u>
Total revenues	<u>23 500 00</u>	<u>24 739 15</u>	<u>23 548 00</u>	<u>(1 191 15)</u>
Expenditures:				
Public safety:				
Fire protection	<u>23 500 00</u>	<u>24 739 15</u>	<u>23 548 00</u>	<u>(1 191 15)</u>
Total expenditures	<u>23 500 00</u>	<u>24 739 15</u>	<u>23 548 00</u>	<u>(1 191 15)</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

Township Board:	
Wages	2 880 00
Dues	492 41
Printing and publishing	380 91
Payroll taxes	2 517 22
Miscellaneous	<u>2 836 72</u>
	9 107 26
Supervisor:	
Salary	4 500 00
Professional services	<u>2 600 43</u>
	7 100 43
Elections:	
Wages	780 50
Supplies	<u>40 80</u>
	821 30
Assessor:	
Contracted services	<u>6 808 50</u>
Clerk:	
Salary	12 000 00
Salary – cemetery clerk	3 000 00
Deputy – salary	200 00
Office supplies	<u>424 57</u>
	15 624 57
Board of Review:	
Wages	750 00
Miscellaneous	<u>218 50</u>
	968 50
Treasurer:	
Salary	9 000 00
Deputy – salary	200 00
Office supplies	<u>804 65</u>
	10 004 65
Building and grounds:	
Utilities	2 410 40
Contracted services	1 275 00
Repairs and maintenance	376 50
Miscellaneous	<u>745 30</u>
	4 807 20
Cemetery:	
Contracted services	<u>19 103 75</u>
Highways and streets:	
Repairs and maintenance	<u>39 284 90</u>
Sanitation:	
Contracted services	<u>43 896 46</u>
Insurance	<u>4 555 00</u>
Total Expenditures	<u>162 082 52</u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in bank	1 372 68	644 448 73	645 523 52	297 89
Total Assets	<u>1 372 68</u>	<u>644 448 73</u>	<u>645 523 52</u>	<u>297 89</u>
<u>Liabilities</u>				
Due to other funds	333 65	79 308 35	79 344 11	297 89
Due to other units	1 039 03	565 140 38	566 179 41	-
Total Liabilities	<u>1 372 68</u>	<u>644 448 73</u>	<u>645 523 52</u>	<u>297 89</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

April 24, 2006

To the Township Board  
Township of Gladwin  
Gladwin County, Michigan

We have audited the financial statements of the Township of Gladwin, for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Gladwin in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

To the Township Board  
Township of Gladwin  
Gladwin County, Michigan

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Gladwin began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants